

Message Text

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ACTION EUR-12

INFO OCT-01 NEA-10 ISO-00 SOE-02 AID-05 CEA-01 CIAE-00
COME-00 DODE-00 EB-08 DOE-11 H-01 INR-07 INT-05
L-03 NSAE-00 NSC-05 OMB-01 PM-05 USIA-06 OES-07
SP-02 SS-15 STR-06 TRSE-00 ACDA-12 PA-01 PRS-01
/127 W

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R 200727Z JAN 78
FM AMEMBASSY WARSAW
TO SECSTATE WASHDC 2815
INFO AMEMBASSY BELGRADE
AMEMBASSY BERLIN
AMEMBASSY BUCHAREST
AMEMBASSY BUDAPEST
AMCONSUL LENINGRAD
AMEMBASSY MOSCOW
AMEMBASSY PRAGUE
AMEMBASSY SOFIA
AMEMBASSY TEHRAN
AMCONSUL POZNAN POUCH
AMCONSUL KRAKOW POUCH

C O N F I D E N T I A L SECTION 1 OF 2 WARSAW 0540

EO 11652GDS
TAGS: ENRG, ETRD, EFIN, PL, UR, IR, COMECON

1. INTRODUCTION AND SUMMARY. IN DISCUSSIONS SHICH TOOK
PLACE DURING THE RECENT VISIT OF SENATOR ADLAI STEVENSON
TO WARSAW, TWO TOP POLISH ECONOMIC OFFICIALS MADE SIGNI-
FICANT COMMENTS INDICATING THAT POLAND AND OTHER EAST
EUROPEAN COUNTRIES WILL BE IMPORTING INCREASE AMOUNTS OF
ENERGY FROM HARD-CURRENCY MARKETS OVER THE NEXT SEVERAL
YEARS. THIS WILL BE NECESSARY BECAUSE OF A PROBABLE
LEVELLING-OFF OF SOVIET OIL AND NATURAL-GAS EXPORTS TO
COMECON EASTERN EUROPE, DESPITE THE STEADY INCREASE IN
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EAST EUROPEAN REQUIREMENTS. ONE OFFICIAL SAID THAT
POLAND WILL BE ABLE TO OFFSET MUCH OF THE HIGH COST OF
THESE ADDED IMPORTS BY CONSTRUCTING PIPELINES IN THE USSR,
IRAN, AND OTHER OIL-EXPORTING COUNTRIES IN EXCHANGE FOR
MORE OIL. OVERALL, HOWEVER, THE EMBASSY BELIEVES THAT
POLAND WILL SUFFER ADDITIONAL BALANCE OF PAYMENTS STRAINS AS
A RESULT OF SOVIET INABILITY AND UNWILLINGNESS TO EXPAND

ENERGY EXPORTS TO EASTERN EUROPE. END INTRODUCTION
AND SUMMARY.

2. IN SEPARATE CONVERSATIONS JANUARY 17 AND 18, FIRST
VICE MINISTER OF FINANCE MARIAN KRZAK AND PLANNING
COMMISSION VICE CHAIRMAN JOZEF PAJESTKA STATED
FLATLY THAT POLISH IMPORTS OF SOVIET CRUDE OIL WILL NOT
RISE SUBSTANTIALLY DURING THE NEXT SEVERAL YEARS AND THAT
POLAND WILL BE COMPELLED TO PURCHASE MORE AND MORE
CRUDE AND PRODUCTS FROM THE MIDDLE EAST AND NORTH
AFRICA TO COVER ITS EXPANDING REQUIREMENTS. PAJESTKA
INDICATED THAT THE SITUATION MAY NOT BE QUITE SO TIGHT FOR
IMPORTS OF SOVIET NATURAL GAS, NOTING THAT FUTURE DE-
LIVERIES FROM ORENBURG, WHICH THE POLES HOPE TO BEGIN RE-
CEIVING EARLY IN 1979, HAVE ALREADY BEEN FACTORED INTO
INDUSTRIAL PLANNING.

3. KRZAK TRIED TO SIDESTEP SENATOR STEVENSON'S QUESTION
AS TO HOW POLAND COULD HANDLE THE HIGH COSTS OF
INCREASED ENERGY IMPORTS FROM WORLD MARKETS. AFTER
FIRST STRESSING THE LOW COMECON PRICES POLAND IS PAY-
ING FOR THE OIL IT BUYS FROM THE USSR AND NOTING THE
IMPORTANCE OF POLISH COAL RESERVES, HE SAID THAT WAYS
HAVE BEEN FOUND TO GET MORE OIL WITHOUT HAVING TO PAY
WORLD-MARKET PRICES. HE MENTIONED THE CONSTRUCTION OF
THE POLOTSK-BALTIC PIPELINE FOR THE USSR BY THE POLISH
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CONSTRUCTION FIRM ENERGOPOL, FOR WHICH POLAND IS
RECEIVING EXTRA OIL, AND SAID THAT POLISH CONSTRUCTION
FIRMS WILL SOON BUILD A PIPELINE IN IRAN WHICH WILL
RESULT IN ADDITIONAL FUTURE DELIVERIES. HE SAID THAT
THERE ARE OTHER, SIMILAR "INVESTMENT POSSIBILITIES"
OPEN TO POLAND WHICH WILL NET CRUDE AND PRODUCTS.

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C O N F I D E N T I A L SECTION 2 OF 2 WARSAW 0540

4. KRZAK ALSO SAID THAT OVER THE NEXT FEW YEARS POLAND
WILL BE GETTING ABOUT TWENTY-PERCENT OF IIT OIL REQUIRE-
MENTS FROM NON-SOVIET SOURCES.

5. COMMENT. WE FIND THESE STATEMENTS INTERESTING FOR
THEIR FRANK COFIRMATION OF TRENDS WHICH HAVE BEEN REPORT-
ED ELSEWHERE. THEY ALSO SEEM TO US TO REFLECT UNFOUNDED OPTIMISM
REGARDING POLAND'S FUTURE ABILITY TO AVOID PAYMENTS
PRESSURES CAUSED BY ENERGY IMPORTS, A PROBLEM WHICH HAS
ALREADY BEEN PAINFUL FOR MANY DEVELOPING COUNTRIES AND
FROM WHICH EAST EUROPEAN COUNTRIES CAN HARDLY CLAIM
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6. KRZAK'S MENTION OF THE CONSTRUCTION OF THE POLOTSK
PIPELINE IN THE USSR IN EXCHANGE FOR SOVIET OIL WAS ONE
OF THE FEW OFFICIAL POLISH COMMENTS WE HAVE EVER HEARD
ABOUT THIS PROJECT, WHICH WAS RECEIVED ONLY LIMITED COVERAGE
IN THE PRESS. WE ARE UNAWARE OF A POLISH
CONTRACT TO BUILD A PIPELING IN IRAN, ALTHOUGH THIS MAY
HAVE BEEN CONCLUDED OR BE UNDER NEGOTIATION. CON-
CEIVABLY, IT MAY BE CHEAPER TO OBTAIN OIL BY
BUILDING PIPELINES FOR OIL-EXPORTING COUNTRIES RATHER
THAN PAY THE ROTTERDAM PRICE FOR IT IN HARD CURRENCY, BUT
WE THINK THIS CLAIMED ADVANTAGE MAY BE QUESTIONABLE AND
AT BEST MARGINAL. THE DRAIN ON POLAND'S SKILLED LABOR
RESOURCES, WHICH WE UNDERSTAND ARE ALREADY BARELY ADE-
QUATE, AND OTHER PROBLEMS SUCH AS PAYMENT FOR IMPORTED

PIPE AND EQUIPMENT, ALL SEEM TO US NEGATIVE FACTORS.

7. ON BALANCE, IT APPEARS THAT THESE COMMENTS FURTHER
CONFIRM A PROBABLE LEVELLING OFF IN THE ROLE OF THE USSR
AS A SUPPLIER OF ENERGY FOR COMECON EASTERN EUROPE OVER
THE NEXT FEW DECADES, BOTH BECAUSE OF THE USSR'S
Dwindling ability to cover its own requirements and its
REFUSAL TO SUPPORT WHAT IT REGARDS AS A GROWING EASTERN
EUROPEAN "AFFLUENT ECONOMY", EG, AUTOMOBILES, INCREASED
ELECTRIC POWER FOR CONSUMER USE, MORE CONSUMER GOODS,
SINGLE OR TWO-FAMILY HOMES. IT ALSO POINTS TO AN
INCREASING STRAIN ON EE HARD-CURRENCY RESERVES
AND DEBT STRUCTURES. END COMMENT.

DAVIES

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